



Oddo Seydler - 10th Small & Mid Cap Conference  
Frankfurt, 16-17 February 2016

# THE DIGITISER OF THE GERMAN MITTELSTAND

SICHER.  
INNOVATIV.  
AN IHRER SEITE.

**QSC** AG

# 1. BUSINESS OVERVIEW

# QSC: The Digitiser of the German Mittelstand

**QSC**<sub>AG</sub>

**“With decades of experience and know-how in the areas of Cloud, Consulting, Outsourcing and Telecommunications, QSC accompanies its customers securely into the digital age.”**

# Strong partner of the German Mittelstand



QSC is the only full-service provider for the German Mittelstand with a proprietary network as well as TÜV/ISO-certified data centres in Germany plus ICT and Cloud expertise and end-to-end-quality.



**Proprietary  
data centres**



**Proprietary ICT  
and Cloud solutions**



**Proprietary All-IP  
voice/data network**



**End-to-end full-  
service provider**

# Key figures at a glance

# QSC<sub>AG</sub>

> 30,000  
SME customers

Revenues of  
> €400m  
in 2015

30 years  
of experience  
and (since 2004)  
TecDAX member

Proprietary  
TÜV and  
ISO-certified  
data centres on  
20,000 m<sup>2</sup>

Proprietary  
nationwide  
**All-IP-based  
network**

~ 1,450 employees  
in 12 locations  
across Germany

## Certifications

- ISO 27001:2005
- Experton Security Leader 2016
- Experton Cloud Leader 2015
- TÜV Service rated “sehr gut“
- ITIL Service Operation

# A full-service provider for the digital age

## Segments of QSC

**Activities:** Voice and data communications for resellers and enterprises (VoIP, DSL connections, telephone systems)

**USP:** Nationwide All-IP infrastructure

**Key customers:** 1+1 Internet (United Internet), Deutsche Post Customer Service

**Revenues 2014:** € 235.8 million

**Activities:** Full range - from data centres and virtual private networks to application and process management

**USP:** All data centres located in Germany

**Key customers:** Amprion, Imperial Tobacco, Olympus Europa, Tchibo

**Revenues 2014:** € 156.5 million



**Activities:** Design and implementation of SAP and Microsoft solutions

**USP:** Own SAP HANA competence center

**Key customers:** Dussmann Group, Fressnapf, Sharp, Vitakraft

**Revenues 2014:** € 35.2 million

**Activities:** Cloud products and industry-specific cloud solutions (IoT)

**USP:** Proprietary, highly scalable platform to digitize products and solutions

**Key customers:** Novoferm tormatic, Urbana (energy provider), Vodafone

**Revenues 2014:** € 3.9 million

# QSC's strategy for the digital age

QSC supports people, things and companies in being successful in the new digital world.

## People



e.g. Workplace from the cloud,  
e-mail encryption, collaboration

## Things



e.g. Internet of Things (gate automation,  
heating systems, energy solutions, sensors)

## Companies



Pure Enterprise Cloud (PEC) as an integration  
platform for standardised services

# How QSC is leading people into the digital age

## Case study: FTAPI / VODAFONE

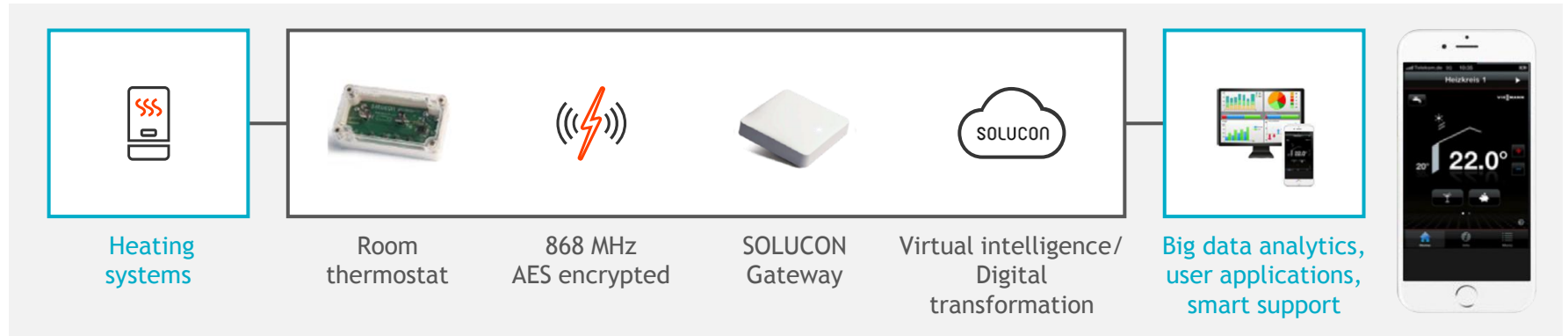
- In December 2015, Vodafone launched **Secure E-Mail**
- This innovation is **based on technology from FTAPI**, a QSC subsidiary
- The technology enables the **convenient and secure transmission of encrypted e-mails and documents**
- **Huge market potential**, as only a minority of SMEs are already using e-mail encryption tools
- **White label solution** of FTAPI is available to other service providers
- FTAPI already has **more than 300 direct customers**



# How QSC is leading things into the digital age

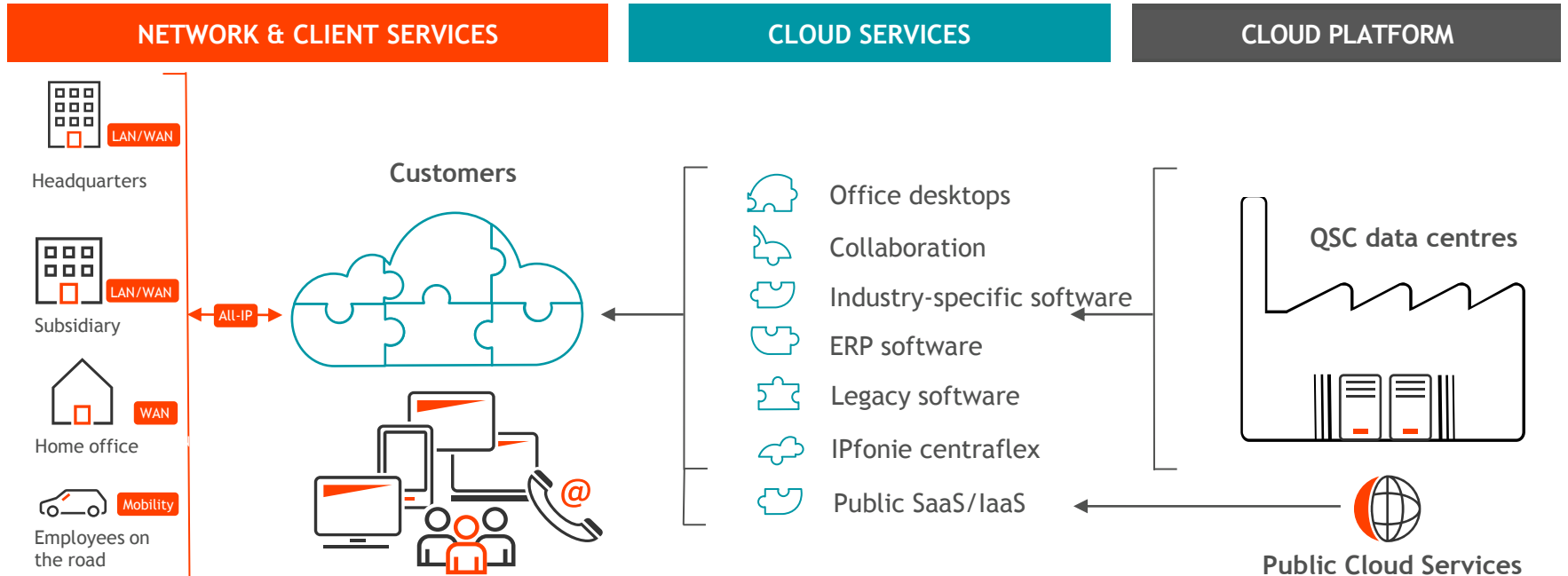
## Case study: Heating control with QSC's IoT platform SOLUCON

- Automated recording, storage, handling and transfer of measured data
- Prompt identification of atypical usage, movement profiles, invoices 2.0
- Further business cases: Fleet management, M2M communication, remote control

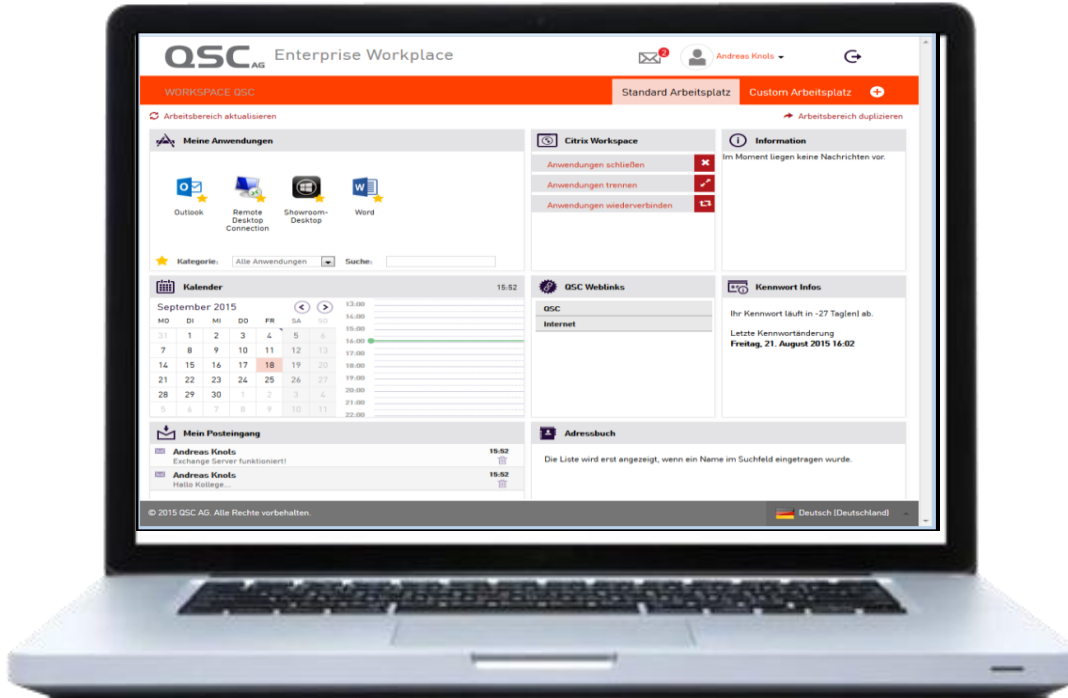


# The centrepiece of digitisation: Pure Enterprise Cloud

## SECURITY SERVICES



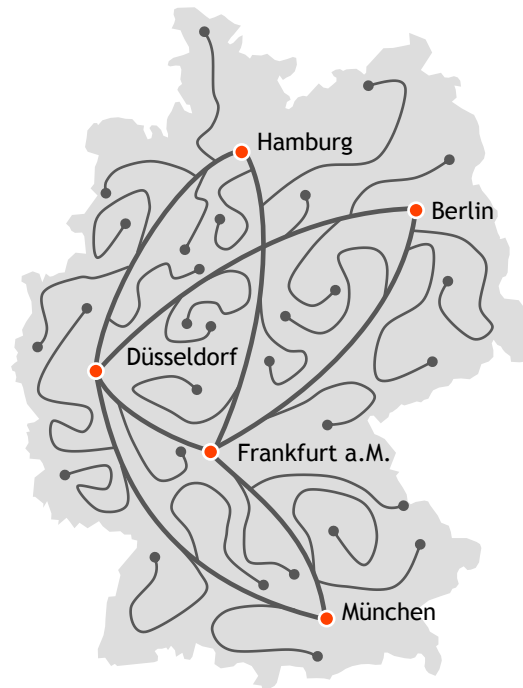
# PEC: An easy way to handle digital workplaces



- Pure Enterprise Cloud (PEC) offers virtual, dynamic workplaces
- Secure and individual data and software access from any devices
- Enterprise Workplace enables access to the entire enterprise IT
- Low up-front investments necessary
- Quick implementation of additional workplaces

# The backbone of digitisation: An All-IP infrastructure

- **Next Generation Network** - a nationwide All IP-based voice and data network
- Complimentary, a nationwide WLL network with more than 200 bases
- Manifold redundant connection to QSC's own **100 Gigabit Core Backbone**
- **Carrier Class Availability: 99,999% availability**
- Network Management and consistent control via the QSC Network Operations Center (NOC)

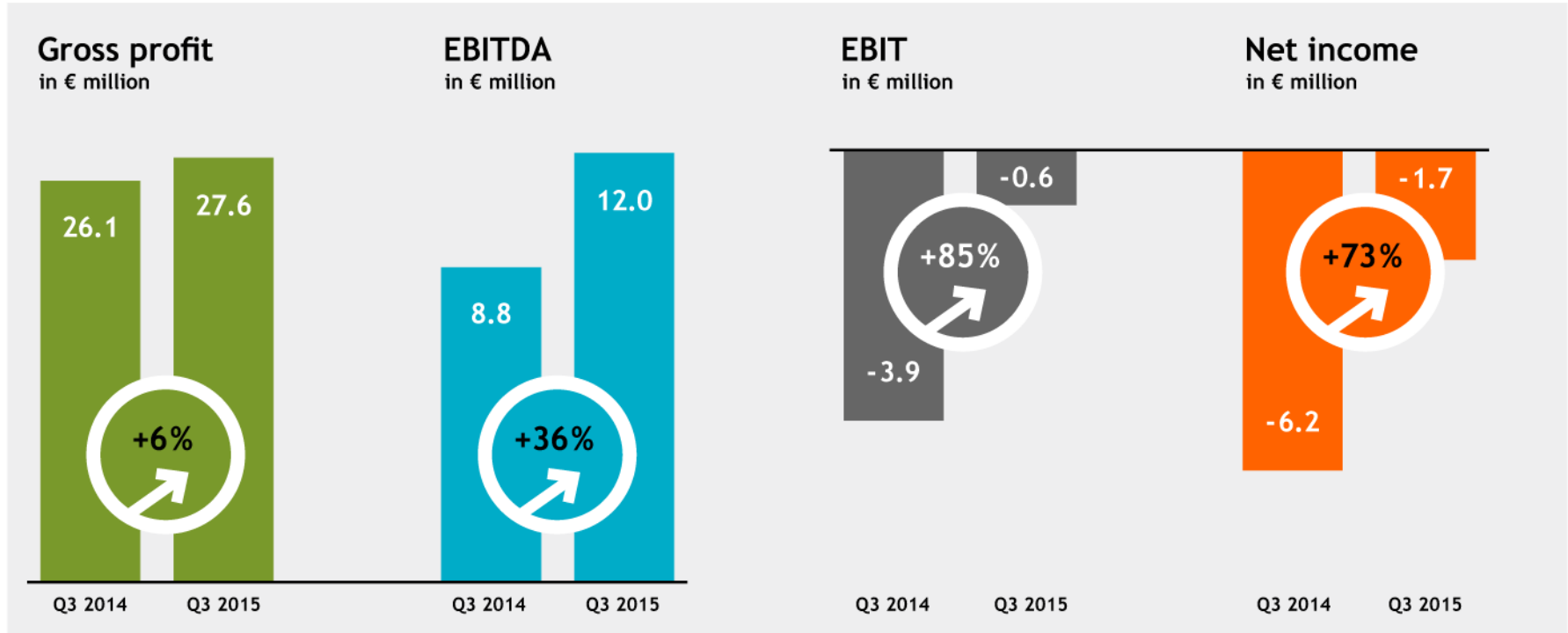


# QSC itself is heading for a new era

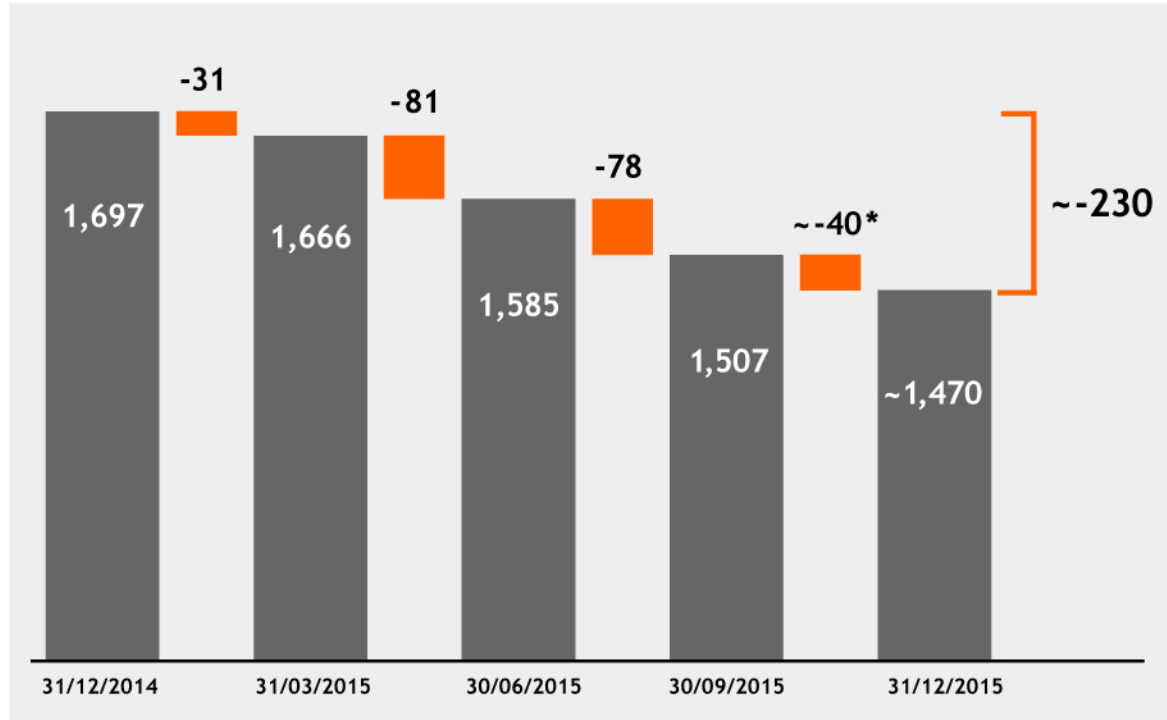
- **Pure Enterprise Cloud (PEC) will be launched in early 2016**  
First contract already signed / a new era in cloud-based Outsourcing will begin
- **New cloud-based products gaining ground**  
Use of FTAPI technology by Vodafone is just one example
- **New leadership team complete since 1 January 2016**  
Felix Höger, the former CEO of Pironet NDH AG, has started as QSC's new COO
- **Clear focus on higher margin revenues**  
Shift in focus, especially in Outsourcing
- **Successful implementation of the cost-cutting programme**  
QSC is on a good way to reaching its ambitious target of reducing costs by €25m by 2017

## **2. Financial Update and Outlook 2015**

# QSC improved earnings in Q3 2015 significantly



# Cost reduction programme ahead of schedule



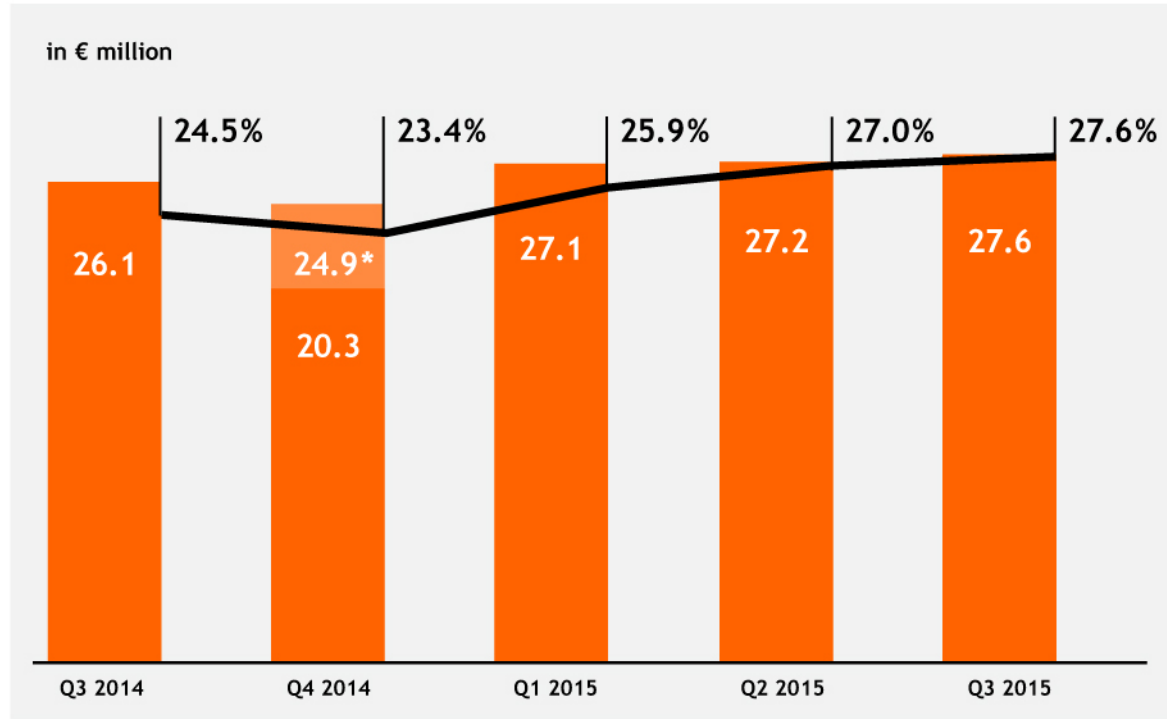
## Major actions to reduce staff

- Termination of fixed-term contracts
  - Natural staff attrition
  - Socially responsible staff reduction
- > More than 65% already agreed

\* Agreed terminations  
(As of 30/09/2015)



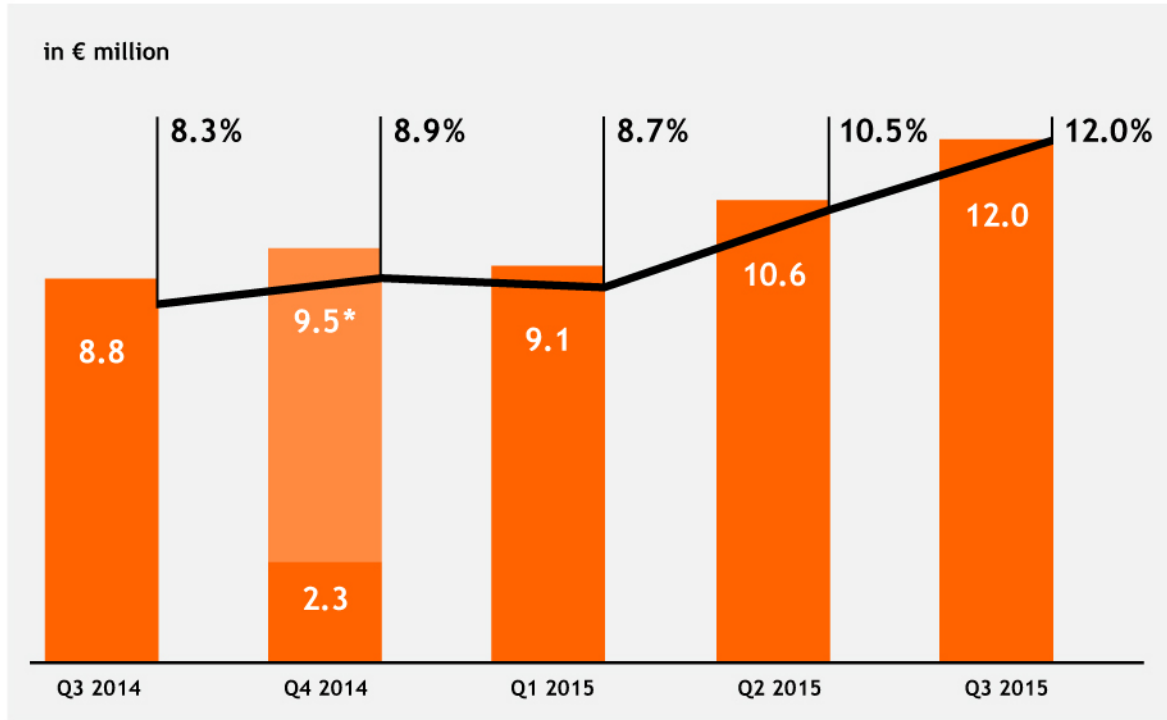
# Step-by-step improvement in gross margin



- In Q3 2015, QSC increased its gross margin for the third time in a row
- Gross margin has improved by 3.1 basis points since Q3 2014

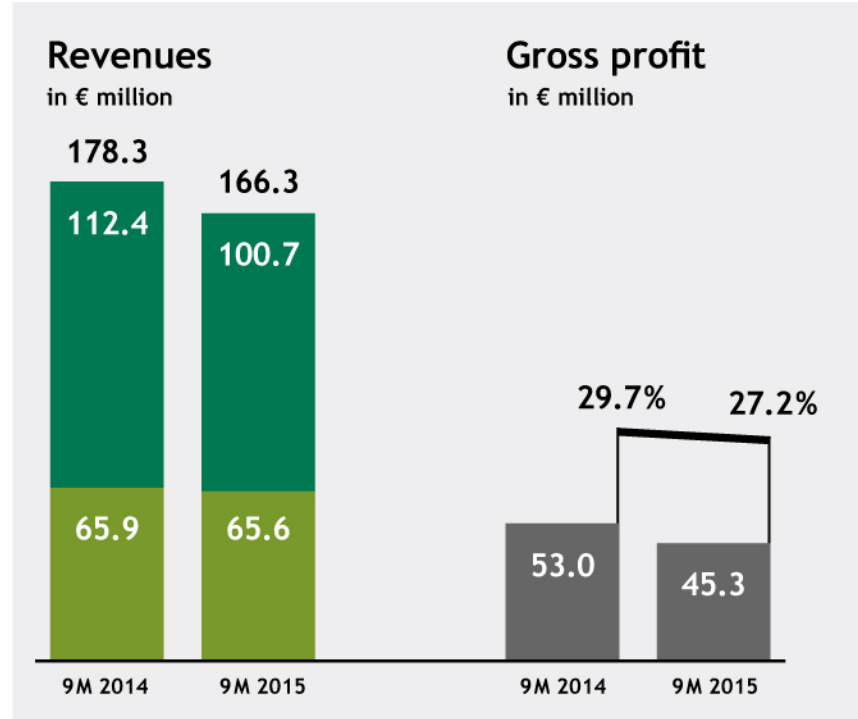
■ Gross margin  
\* Excluding restructuring provisions

# Double-digit growth in EBITDA margin



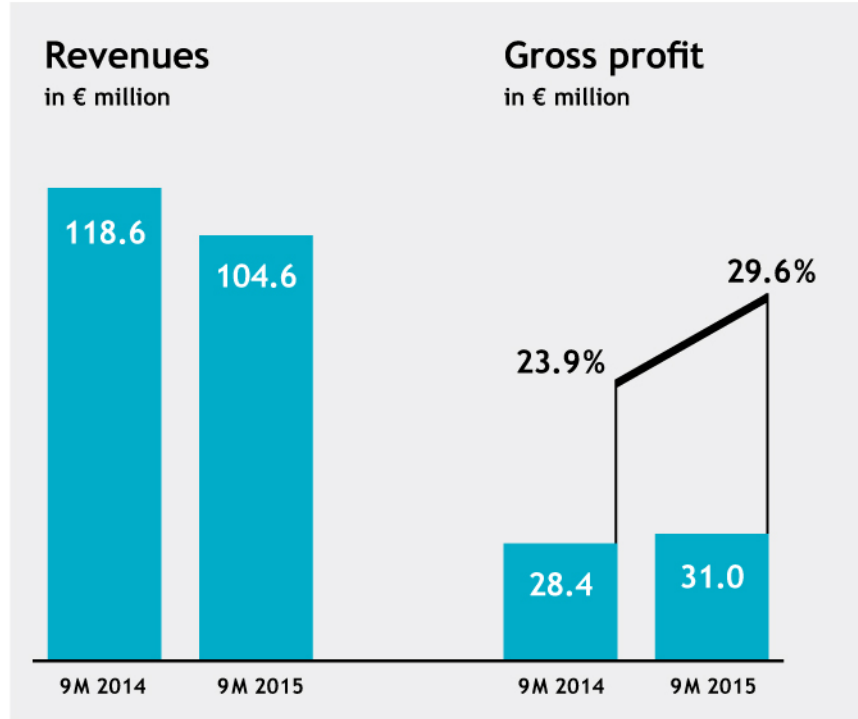
- In Q3 2015, QSC earned the highest EBITDA margin in seven quarters
- EBITDA margin now stands at 12%
- For FY 2015, QSC expects EBITDA margin >10%

# Telecommunications: Stable B-B-B business



- TC business impacted by regulatory effect of almost € 7.5 million
- B-B-C additionally burdened by fierce price competition
- Stable B-B-B revenues despite stricter regulation

# Outsourcing: Significant increase in gross margin

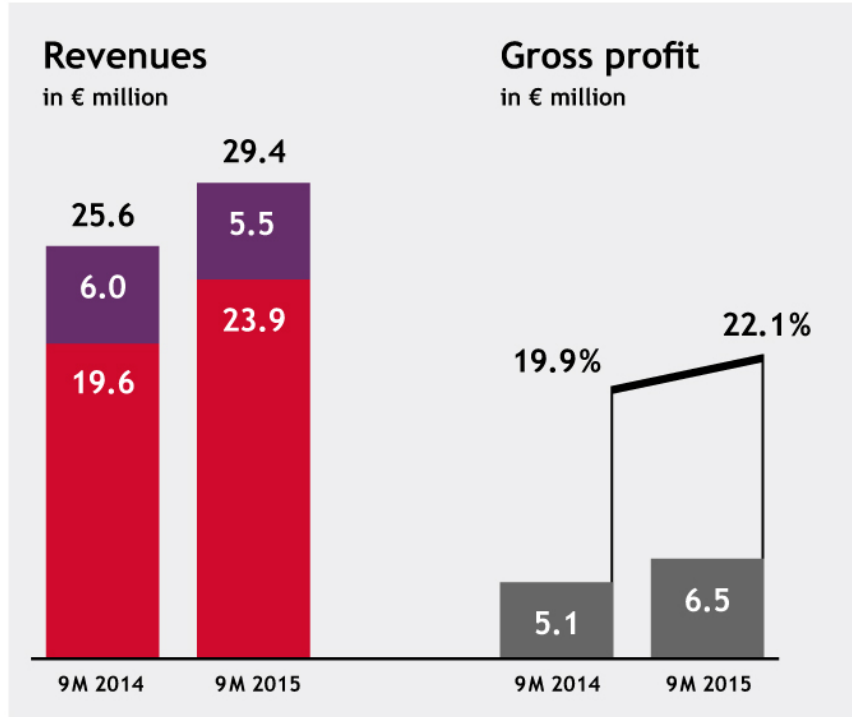


- Focus on SME customers and revenues with an adequate margin
- High commitment of existing customers: TCV of € 178.6 million (9M 2014: € 106.2 million)
- Ongoing industrialisation and virtualisation
- Reorganisation and cost-cutting programme supported increase in gross profit

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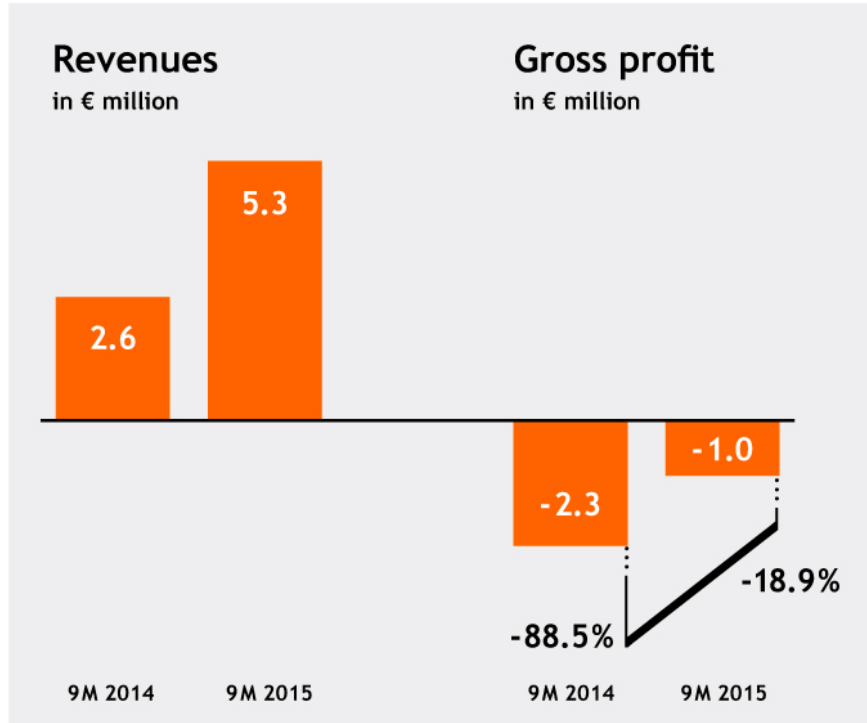
■ Gross margin

# Consulting: Strong growth in revenues and margin



- Strong demand for SAP services
- Growing demand for cloud expertise (SAP HANA)
- Markedly higher annual revenues per employee

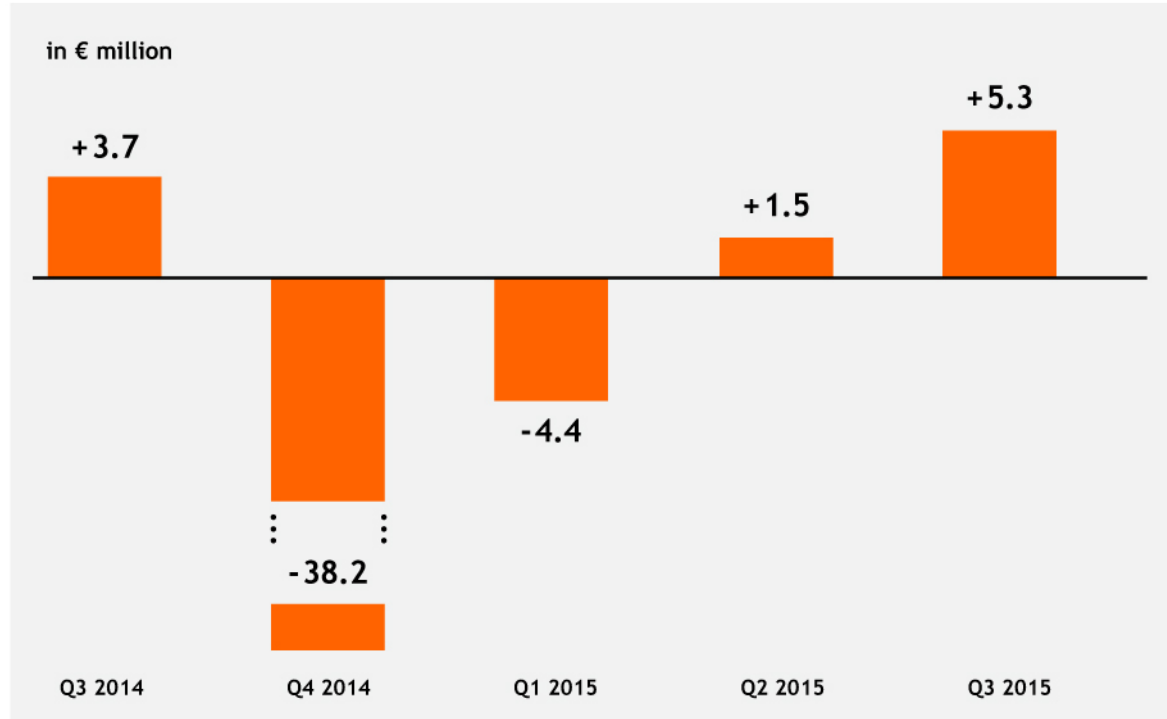
# Cloud: Revenues double in newest segment



- Growing demand for cloud-based services such as cloud-based telephony
- With fonial, a new distribution channel for cloud-based telephone systems has been launched
- Cloud and IoT business still in the early stages
- Segment generates positive gross profit for first time in 3<sup>rd</sup> quarter of 2015

■ Gross margin

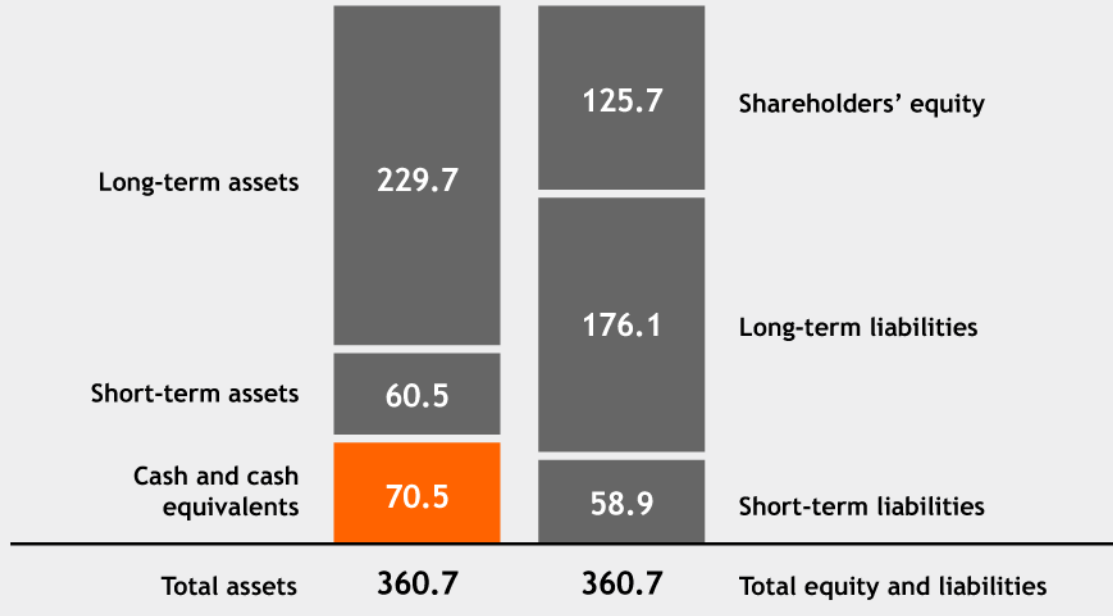
# 43% increase in free cash flow in Q3 2015



- Compared to Q3 2014, QSC managed to increase free cash flow significantly
- Compared to Q2 2015, QSC more than tripled free cash flow
- For Q4 2015, QSC expects moderate investments in Pure Enterprise Cloud

# Equity ratio stands at a solid 35%

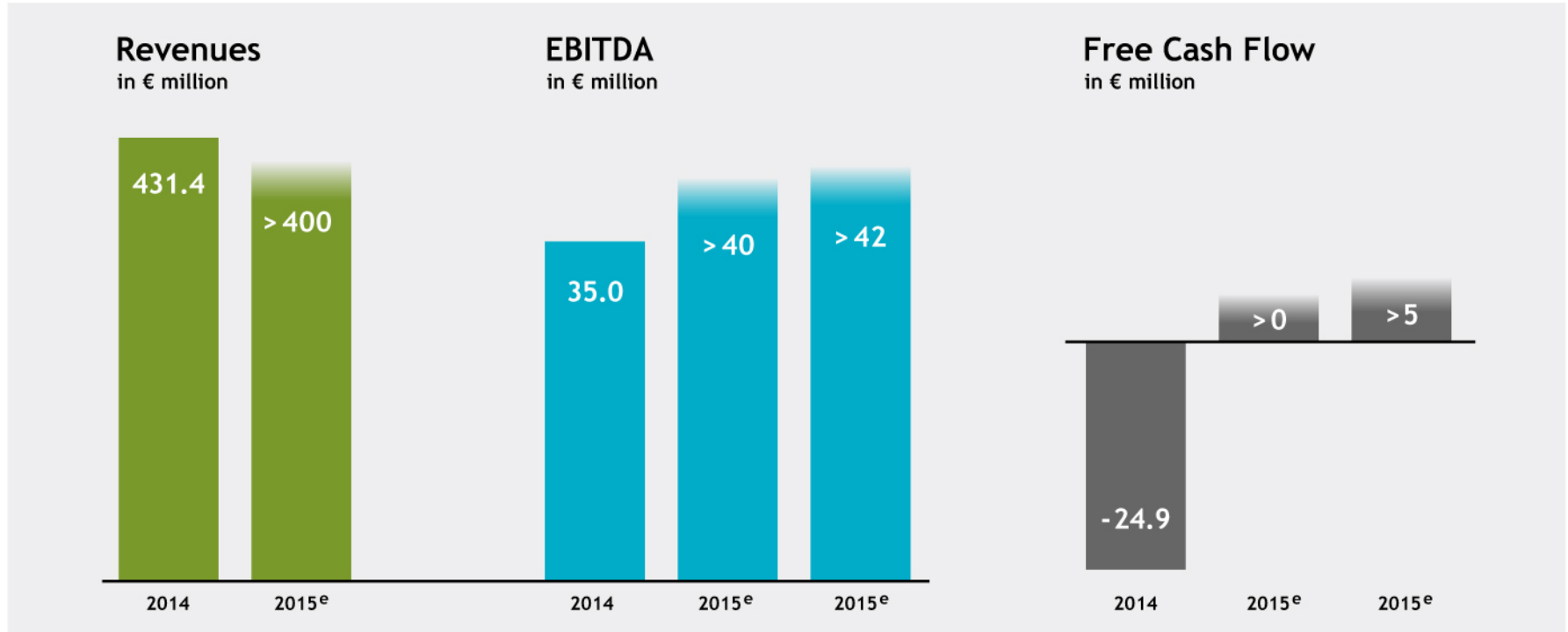
in € million as of 30 September 2015



- Financing matches maturity: Long-term liabilities and equity cover 131% of long-term assets
- Strong cash position of € 70.5 million



# Higher EBITDA and FCF forecast since August 2015

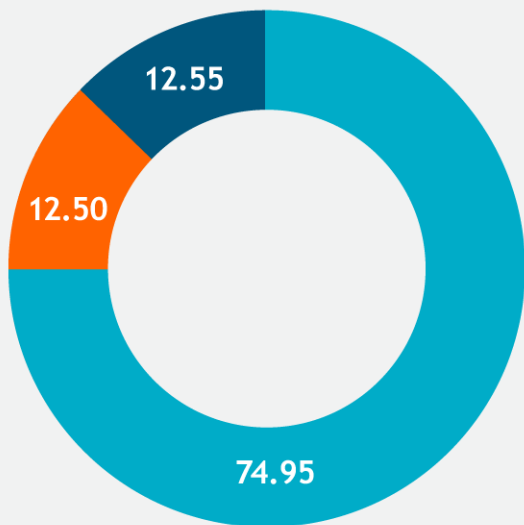


## 3. Appendix

# Stable shareholder structure

## Shareholders structure

in %



Founders never sold a single share since the IPO in 2000

- 12.55%** Gerd Eickers<sup>1</sup>
- 12.50%** Dr. Bernd Schlobohm<sup>2</sup>
- 74.95%** Streubesitz

- 
- <sup>1</sup> Founder and Member of the Supervisory Board
  - <sup>2</sup> Founder and Chairman of the Supervisory Board

As of 31 December 2015

# Financial calendar

<b>30 March 2016</b>	Publication of the 2015 Annual Report
<b>9 May 2016</b>	Publication of Quarterly Report I/2016
<b>25 May 2016</b>	Annual Shareholders Meeting
<b>8 August 2016</b>	Publication of Quarterly Report II/2016
<b>1 September 2016</b>	TMT Conference, Commerzbank, Frankfurt
<b>8 September 2016</b>	German Technology Seminar Bankhaus Lampe, Zurich
<b>21-23 September 2016</b>	5th German Corporate Conference Berenberg/Goldman Sachs, Munich
<b>14 November 2016</b>	Publication of Quarterly Report III/2016

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other things, to line sharing, rent for co-location and unbundled local loops, the pricing and timely availability of leased lines, and other matters that might have an effect on our business, the timely development of value-added services, our ability to maintain and expand current marketing and distribution agreements and enter into new marketing and distribution agreements, our ability to receive additional financing if management planning targets are not met, the timely and complete payment of outstanding receivables from our distribution partners and resellers of QSC services and products, as well as the availability of sufficiently qualified employees.

A complete list of the risks, uncertainties and other factors facing us can be found in our public reports and filings with the U.S. Securities and Exchange Commission.

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